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**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF IDAHO POWER	)	<b>CASE NO. IPC-E-13-20</b>
COMPANY'S APPLICATION FOR	)	
AUTHORITY TO ESTABLISH A NEW	)	COMMENTS OF THE INDUSTRIAL
BASE LEVEL OF NET POWER SUPPLY	)	CUSTOMERS OF IDAHO POWER
EXPENSE	)	AND MICRON TECHNOLOGY, INC.
	)	

Pursuant to the Notice of Application and Notice of Modified Procedure issued by the  
Idaho Public Utilities Commission ("Commission") on November 26, 2013, the Industrial

Customers of Idaho Power (“ICIP”), by and through their attorney of record, Peter J. Richardson, and Micron Technology, Inc. (“Micron”) by and through its attorneys Holland & Hart LLP, hereby provide the following comments. Idaho Power Company (“Idaho Power” or the “Company”) seeks approval for establishing new base level net power supply expenses as the basis for quantifying its 2014/2015 Power Cost Adjustment (“PCA”) rates proposed to become effective June 1, 2014. ICIP and Micron respectfully request that the Commission consider requiring that the rates be apportioned among customer classes based on Idaho Power’s most recent cost-of-service study rather than on the cents per kWh basis proposed by Idaho Power. This would result in a more reasonable and equitable allocation of costs among consumers based on a demand, as well as an energy, basis.

Idaho Power filed its Application on November 1, 2013 (errata filed November 4, 2013) seeking authorization to increase its total system “base level” net power supply expense (“NPSE”) from \$199,003,778 to \$305,684,869. The Company would use the increased NPSE to update base rates on June 1, 2014. It would also use the updated NPSE to adjust the 2014/2015 PCA. According to the Company:

If approved, the Company’s proposed change in base level NPSE would have no net impact to the overall revenue collected through customer rates and would also be “revenue neutral” for all classes of Idaho Customers. ... Idaho Power believes its proposal in this case is a simple and effective way to address the Commission’s concerns regarding the PCA and would restore the PCA to its intended purpose with no impact to customers’ bills.<sup>1</sup>

The Company proposes to move the \$99.9 million (on an Idaho jurisdictional basis) that has been carried forward in the PCA’s rates to proposed new base rates – all on a per kWh basis.

Since its inception, the PCA allocated year-to-year changes on an energy (per kWh)

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<sup>1</sup> Direct testimony of Timothy Tatum, pp 3 – 4.

basis. This is because the normally modest changes in the Company's net power supply costs between rate cases are presumed to be generally energy related, rather than capacity related. The end result of this per kWh allocation is that high load factor customers pay a higher percentage increase than lower load factor customers when there is an increase in the PCA. Conversely, higher load factor customers receive a higher percentage decrease in their rates when the PCA rates decrease. For modest changes in net power supply costs between rates cases this approach is reasonable and neither ICIP nor Micron are objecting to this methodology for PCA changes.

However, changes in base rates, such as that proposed here, have generally occurred when the Company files for general rate relief with a full cost-of-service study that is used to set base rates in subsequent PCA filings. A full cost-of-service study allocates rates among the various customer classes based on both a demand and energy basis, and thus all rate classes are impacted proportionately. Notwithstanding Idaho Power's proposal to change base rates outside of a rate case, because the base power supply rates are changing, ICIP and Micron believe that the approach used in rate cases should be applied here.

According to Idaho Power, the reason it is making the "revenue neutral" filing is:

The Company's currently approved normalized level NPSE included in base rates reflects a 2010 normalized condition. Most of the individual cost and revenue components of NPSE have changed significantly and permanently resulting in an overall increase in the normalized level of NPSE of approximately \$100 million from the 2010 normalized condition to the 2013 normalized condition. Because these increased expenses are not reflected in base rates, such ongoing and permanent costs are instead currently being recovered through the PCA annually.<sup>2</sup>

Because the base rate used in establishing the NSPE has not been updated since 2010, significant and permanent changes in costs the Company has incurred have been assessed against Idaho

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<sup>2</sup> *Id.* at 4.

Power's customers on a kWh basis. One example of such permanent and significant costs is the Langley Gulch power plant. If there had been a general rate case (with a cost-of-service study) after those costs were incurred, then they would have all been allocated on either/or both an energy allocator and a capacity (demand) allocator rather than just on an all energy allocator.

Changing the base rates, as proposed by the Company, is the equivalent of performing a 'mini general rate case' without the benefit of a fully contested and finally approved cost-of-service study that would be used to fairly allocate rate changes among customer classes. Here the Company proposes to increase base rates by almost one third (\$99 million) and to allocate that amount among the customer classes on a per kWh basis.

The ICIP and Micron believe that this reallocation should be accomplished on a cost-of-service basis and not on a cents per kWh basis, which may have been appropriate for the PCA, but is not appropriate for base power supply expenses. The ICIP requested that Idaho Power run a full cost-of-service study to determine the appropriate allocation of the additional NPSE among the customer classes in order to measure the impact of allocating rates among the customer classes based on cost-of-service. Although the Company did not provide a full cost-of-service run, it did provide the impact on inter-class rates based on the allocation factors taken from the last Commission-approved class cost-of-service study. Importantly, ICIP and Micron are not asking that these costs be applied on an across-the-board basis as approved by the Commission in the last rate case. Rather, despite concerns that ICIP and Micron continue to have with Idaho Power's current class cost-of-service methodology, ICIP and Micron are requesting that the Commission at least use the most-recently approved methodology to calculate how these costs should be included in base rates rather than simply applying this change on a pure per kWh basis.

According to Idaho Power's response to the ICIP's first request for production, the information reproduced in Table One is described as follows:

The attached Excel file presents the allocation of the incremental \$99.3 million in Net Power Supply Expenses ("NSPE") to customer classes utilizing the Company's class cost-of-service methodology and allocation factors from its most recent general rate case, Case No. IPC-E-11-08 ("2011 Rate Case").

Table One below summarizes the results of Idaho Power's calculations in response to the ICIP's First Production Request, and displays the varying results of the Company's filing on each customer class:

Table 1 Cost-of-Service Allocation for New Base Level NPSE; IPC-E-13-20			
<u>Tariff Description</u>	<u>Rate Schedule</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<u>Uniform Tariff Schedules</u>			
Residential Service	1	\$4,254,206	0.92%
Small General Service	7	\$16,244	0.10%
Large General Service	9	(\$914,826)	-0.36%
Dusk to Dawn Lighting	15	(\$12,882)	-0.98%
Large Power Service	19	(\$1,996,975)	-1.64%
Agricultural Irrigation Service	24	\$603,292	0.45%
Unmetered General Service	40	\$16,592	1.58%
Street Lighting	41	(\$74,552)	-2.12%
Traffic Control Lighting	42	\$2,357	1.34%
Total Uniform Tariffs		\$1,893,456	0.19%
<u>Special Contracts:</u>			
Micron	26	(\$1,371,728)	-4.63%
J R Simplot	29	(\$278,277)	-3.02%
DOE	30	(\$243,451)	-2.07%
Total Special Contracts		(\$1,893,456)	-3.74%
<b>Change in Total Idaho Retail Sales</b>		\$0	0.00%

As can be seen in Table One, allocating the \$99.3 million proposed shift from the PCA into a new level of higher base rates using cost-of-service guidance causes some slight shifts in class

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responsibilities. These shifts moderate the undue benefit the all-energy cents per kWh approach provides to low load factor customers. This is the expected and correct result. This result also highlights the fact that the high load factor customers have been consistently disadvantaged over the last several years because of the allocation of the \$99.3 million of base rate dollars in the PCA on a per kWh basis rather than based on a class cost-of-service study in accordance with established Commission practice.

The ICIP and Micron are not challenging the proposed update of base rates by shifting the requested amount out of the PCA and into base rates. The ICIP and Micron do, however, question the equity of the Company's advocating that rates be apportioned among customer classes based on a cents per kWh basis and not, at a minimum, based on Idaho Power's most recent cost-of-service study. While ICIP and Micron continue to have concerns that Idaho Power's methodology over-allocates costs to high load factor customers, never-the-less it is certainly a more reasonable approach than essentially using an all-energy allocator to recover what are clearly both demand and energy related costs. It should be noted that the ICIP and Micron proposal allocating rates based on cost-of-service would still be a revenue neutral event, and overall rates would not change. The difference is the Company's base rate costs would be distributed among customer classes on a more equitable demand and energy basis. This mirrors more closely what would occur in a general rate case with a full cost-of-service study approved by the Commission. Thus, the ICIP and Micron respectfully request that the Commission require Idaho Power to employ a more equitable allocation based on a cost-of-service study.

RESPECTFULLY SUBMITTED this 20<sup>th</sup> day of February 2014.

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the Industrial Customers of Idaho Power

HOLLAND & HART LLP

By Brian T. Hansen  
Brian T. Hansen on behalf of  
Micron Technology, Inc.

CERTIFICATE OF SERVICE

I hereby certify that on the 20<sup>th</sup> day of February 2014, copies of the foregoing Comments of the Industrial Customers of Idaho Power and Micron Technology, Inc. were hand delivered to:

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